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SUBJECT: ACEH -- AMID CHALLENGES, PEACE PROCESS PROCEEDS

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¶1. (U) This message was coordinated with Consulate Medan.
It is Sensitive but Unclassified.

¶2. (SBU) SUMMARY: Although rising criminal violence and a poor medium-term economic outlook continue to hamper progress in Aceh, the political outlook in the province has improved. While several issues will need careful management in Jakarta and Aceh, the prospects appear good for continued peaceful transition, leading up to regional parliamentary elections in April 2009.

¶3. (SBU) SUMMARY (Cont'd): Positive factors in this scenario include increased attention to the task of governance and institutionalization of the peace process with Jakarta. Moreover, the splintering of the GAM ("Free Aceh Movement") camp could lead to some internal violence but should give rival parties significant opportunity as the province heads into the election campaign. Overall, prospects appear cautiously favorable for the direct election of the first post-conflict provincial legislature within the next year. END SUMMARY.

PEACE PROCESS MOVING FORWARD

¶4. (SBU) The military and police in Aceh, which remain under national commands, are less of an issue than previously, and their operations in Aceh are gradually becoming more consistent with national norms. The police are not particularly effective, but the new police chief, who is a native Acehnese, has Irwandi's support, and performance is slowly improving. The military has by and large receded into the background, and is working to win the confidence of the civilian population, although that process will take time. Its chief, however, is not Acehnese, and the long-term role of the military in Aceh remains an issue in the peace process.

¶5. (SBU) Aceh and Jakarta are working together through the Forum for Communication and Coordination (FKK) to resolve outstanding issues relating to the Helsinki MOU, which the government of Indonesia and GAM signed in August 2005, formally ending the conflict. The FKK, created to be the

eyes and ears of the national Coordinating Ministry for Politics, Law and Security in Aceh, had the ostensible role of coordinating with Aceh elements on security issues after the signing of the MOU. It has since become the main dialogue partner in the peace process. The body is headed by a TNI general who coordinates closely with the ministry's Aceh group, composed of officials from military, police, finance, home affairs and the state planning agency.

16. (SBU) On the Aceh end, the dialogue has been broadened, with Irwandi's support, through a recently-created Commission to Support Peace in Aceh (CoSPA). Launched in February by the BRA's Aceh Peace Research Center, it includes Aceh government officials, military and police officials and international observers from the United States and the EU. The participation of the Aceh provincial government and senior provincial judicial and legislative officials attests to CoSPA's acceptance within the Aceh government. CoSPA has not been formally endorsed by Coordinating Minister Widodo but has his support, and FKK representatives play a leading role in it, effectively making it a part of the Aceh-Jakarta dialogue through the FKK. Recent meetings have discussed the establishment of a Truth and Reconciliation Commission for Aceh and progress on establishing a Human Rights Court for Aceh to try cases arising from the conflict. It intends to explore mechanisms to establish a joint claims commission as required under the MOU.

17. (SBU) There is a mutual recognition that a gap remains between the Helsinki MOU and the LOGA, but Jakarta and GAM differ over the extent to which the gap can be closed and how that might be done. The national government considers the LOGA to be comprehensive and final in terms of defining

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Aceh's regional autonomy. A set of implementing regulations currently being drafted, however, allows leeway in interpreting the LOGA's provisions, thereby closing the gap with the MOU. Irwandi is working with the FKK to resolve the outstanding issues. Jakarta appears to want to resolve all issues and release the regulations through presidential order before the end of 2008, well ahead of the April 2009 DPRD elections. That may be overly optimistic.

GETTING DOWN TO GOVERNING

18. (SBU) With slightly more than one year in office under their belts, Governor Irwandi Yusuf and Vice Governor Muhamad Nazar seem to be finally figuring out how to govern. The same can be said generally of district and municipal leaders. GAM-affiliated or otherwise, those with technical or academic backgrounds have learned quickly and appear to be managing their districts reasonably well. Difficulties remain in the central highlands, where the indigenous Gayo joined anti-independence militias during the GAM conflict and remain at odds with Irwandi.

19. (SBU) One of the main criticisms of Irwandi's administration had been his neglect of the business of governing, due in large part to his extensive travels during the first year after his election in December 2006. That picture has begun to change for the better in recent months. In March, after conducting a meritocratic "fit and proper test" and personal interviews, Irwandi appointed 42 people to senior positions on the basis of their test results, experience and qualifications. The move has built trust between Irwandi and the bureaucracy and demonstrated his readiness to work with the bureaucracy, representatives of which he has begun to include in key meetings. The move has also lent credibility insofar as Irwandi did not stock his cabinet with loyalists.

110. (SBU) The friction between the governor and Aceh's parliament during Irwandi's first eight months in office has also subsided substantially. The relationship has matured, reflecting a mutual recognition of their respective roles in

governing the province. Little more than a rubber stamp during the conflict, the provincial legislature is, with Irwandi's cooperation, beginning to carry out its duty to review the budget and help run the province. Although months behind schedule now, the budget is bouncing between the parliament and the executive, as the parliament for the first time ever exercises its authority to ask questions.

GAM FRAGMENTATION OFFERS CHANCE FOR RIVAL PARTIES

¶11. (SBU) There is no question that the level of criminal violence in Aceh is dramatically higher than anywhere else in Sumatra, if not the rest of Indonesia. There have been some killings, and the provincial police chief is investigating three to four kidnappings per month. With few exceptions, the motive has been money, not politics. Fights have broken out between GAM and other groups, and among rival GAM groups.

Many blame the violence on GAM, while GAM blames it on regular criminals and ex-militia. In many localities, GAM groups are essentially simple preman (gangs of petty thugs), with little or no ideological affinity for independence. At current levels, neither the crime nor GAM's involvement in it appear to be significant enough to affect long term political stability of the province. They do, however, interfere with the provision of government services and deter investment and job creation.

¶12. (SBU) In the meantime, GAM continues to fragment, and Malik Mahmoud, one of the former expatriate GAM leaders and the current head of GAM insofar as it still exists as an organization, is becoming less and less relevant and less able to influence the behavior of individual members. Malik, as he is known in Aceh, and Irwandi remain estranged, and the

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eight GAM-affiliated district leaders are all generally close to Irwandi, as are several other prominent ex-GAM leaders. As Governor, Irwandi thus easily controls far more real power than Malik. GAM's application for formal status as a political party with a new name, flag and symbol is still being reviewed in Jakarta. Whether approval will be forthcoming is an open question.

¶13. (SBU) At least six different groups have formally applied to register as political parties; none have been approved so far. None of these parties has a platform promoting sharia law, and public support for sharia law appears to be declining. Irwandi has worked to minimize the scope of Sharia activities in practice. At the same time, Hizbut Tahrir Indonesia (HTI) and the Islamic Defenders Front (FPI) are significantly expanding their influence in Aceh, particularly on university campuses.

¶14. (SBU) National and rival local parties hope to prevent a GAM victory in the 2009 legislative elections. Their prospects of doing so appear significant. Although still regarded as the champion of Aceh's autonomy and cultural identity, GAM lacks broad support, and the elements of its fractured organizational structure do not work together. Nazar's proto-party, SIRA (Aceh Referendum Information Center) has a machine as good as or better than GAM's, is less controversial and is capable of peeling the intellectuals away from GAM, when SIRA formally establishes itself.

¶15. (SBU) Looking ahead to the provincial legislature (DPRD) to be elected a year from now, Irwandi's nonpartisan stance, should he choose to continue it, should allow him to work effectively with a non-GAM DPRD, dominated either by a national party such as Golkar or by local parties. A PDI-P DPRD would be a problem, but PDI-P has no chance of winning significant representation. Pragmatism on all sides will be essential to a successful working relationship with the new legislature.

A ROBUST BUDGET

¶16. (SBU) Despite its substantial gas reserves and history of exporting commodities such as pepper and coffee, Aceh has long been one of the country's poorest provinces. Decreased reconstruction spending has caused the economy to cool, and significant new investment--foreign or domestic--has yet to materialize.

¶17. (SBU) Provincial finances, however, are not a problem, due primarily to a substantial influx of revenue sharing from Jakarta as a result of national decentralization laws, and the special Aceh Trust Fund established under the LOGA. The province stands to lose 25 percent of the annual block transfer from Jakarta under the General Allocation Fund (DAU), or approximately \$15 million, due to the budget's late submission. Even with that loss, however, the province's financial situation is very strong, and the budget, totalling approximately \$900 million, will be nearly double the level of last year's. That makes it nearly three times that of North Sumatra, a larger and wealthier province.

¶18. (SBU) The Aceh Reconstruction Agency (BRR), established in April 2005 in response to the massive earthquake and tsunami disaster of December 2005, will close operationally by the end of 2008, although it will formally remain in existence until its five-year anniversary in April 2009. As a fulfillment of Jakarta's commitments to Aceh following the 2004 tsunami, the BRR represents as a major success, and is regarded as such by the international donor community.

¶19. (SBU) The BRR's favor has fallen among civil society and, increasingly, the public in Aceh, however. While some of the criticism is unfair, critics rightly note that the

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agency's strong performance in Banda Aceh has been offset by weak performance in more remote areas. Critics complain that BRR is out of touch with common people, is unresponsive to local concerns, and spends profligately on itself and its staff. Its closure is important symbolically as a cutting of the umbilical cord, accentuating Aceh's autonomy in a positive way. It will close before completing its work, however, and its assets will most likely be transferred to the State Planning Agency (Bappenas). How the responsibility for remaining projects will be divided between Jakarta and Aceh remains to be decided, and this will create some friction, but it should not become a major political issue.

CHALLENGES AHEAD

¶20. (SBU) Several challenges remain for Irwandi in this outlook, and his ability to manage them will affect the peace and the political stability of the province. One of them is GAM's formal boycott of the CoSPA, limiting the effectiveness of the decisions and agreements that it aims to produce. Malik and other GAM leaders continue to boycott the process, and any ex-GAM participants in CoSPA participate as individuals, not on behalf of the organization. Malik objects to the presence on the CoSPA secretariat of senior members of BRA, with which Malik is on bad terms. Malik instead engages with Jakarta counterparts through the so-called Roundtable, an ad hoc, informal GAM dialogue with Jakarta. Irwandi wants GAM in the CoSPA, and Malik's participation as the informal head of GAM would be symbolically important because he signed the MOU on behalf of GAM.

¶21. (SBU) Malik has instead continued to maintain a dialogue with Jakarta, which in that respect competes with the FKK-CoSPA process. The Roundtable, as this dialogue is called, has been encouraged by Juha Christensen from Interpeace, who was involved in the European Union's Aceh Monitoring Mission (AMM) and sees himself as wearing the mantle of Finnish President Ahtisaari. Jakarta counterparts consist of former Justice Minister Hamid Awaluddin, Jakarta's signatory of the Helsinki MOU, as well as State Enterprise

Minister Sofyan Djalil, Deputy Welfare Minister Farid Husain and former Indonesian envoy to Finland Iris Indira Murti, all of whom played important roles in negotiating the MOU. Husein is also close to Kalla and a negotiator of the MOU. None of the Jakarta participants, however, holds an office relevant to the dialogue with Aceh.

¶22. (SBU) As essentially a glorified photo-op for Malik and his Jakarta partners, the Roundtable has little intention of contributing substantively to the resolution of the remaining MOU issues, although at the very least it demonstrates the two sides' continued commitment to the peace process. Coordinating Minister Widodo is reportedly pressing Kalla to close down the Roundtable and channel all contact with GAM through the FKK. This would significantly increase the weight of any results from the FKK-CoSPA process. Ultimately, however, Irwandi has the political power as governor and the influence as a former GAM leader to reach agreement with Jakarta on the remaining MOU issues, and GAM will most likely learn to live with what he decides. Although Malik's formal endorsement of that agreement is desirable symbolically in socializing GAM compliance, it is not absolutely essential, and Irwandi can push the peace process forward, with or without Malik's blessing.

¶23. (SBU) The Aceh Reintegration Agency (BRA), which is part of the post-Helsinki peace process, continues to fall short in administering the agreed programs intended to reintegrate former GAM members into society and remains a source of GAM discontent. BRA lacks the capacity to do more than investigate and pay claims to victims of violence, former combatants, and other groups which have been promised compensation in the Helsinki MOU. Its mission historically

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has not been well defined. Its head, Nur Juli, has not been an effective manager. Senior GAM officials accuse Nur, somewhat disingenuously, of discriminating against certain GAM factions in compensating victims of violence. The DPRD has begun to play a much-needed role in balancing the interests of provincial stakeholders by pressuring BRA to ensure that it treats all victims of violence equally when carrying out its programs. Although some of the GAM complaints may be opportunistic, any headway that Irwandi can make in GAM satisfaction with the BRA should encourage GAM to buy into the peace process.

¶24. (SBU) A final dark cloud on the horizon is the proposal that Aceh be split into as many as three provinces. Despite low prospects of adoption anytime soon, the proposal has been politically divisive. Launched by the ethnic Gayo and other minority communities in the central highlands, it would carve out a smaller second and possibly a third province comprising the districts of Central Aceh and Gaya Lues and the most economically backward regions along the west coast. These communities have lobbied the DPR and national authorities directly on this issue.

¶25. (SBU) Irwandi has denounced the proposal and said it would reignite the conflict. There are only two precedents--Banten and Riau--for the division of a province without the governor's consent. Such a move, however, would violate the Helsinki MOU. DPR contacts say the split isn't going to happen anytime soon and appear sanguine. The proposal's significance, rather, lies in its potential to divide the province against itself and polarize relations between Aceh and Jakarta. It has already led to violence between GAM and ethnic Gayo. Nationalist parties, such as the Party of Democratic Struggle (PDI-P) and Hanura stand to profit from the agitation. Former President Megawati (PDI-P) sees Aceh's special autonomy as a repudiation of her hard line as president, and retired General Wiranto (Hanura), who oversaw the imposition of martial law in Aceh, reportedly campaigned recently in central Aceh.

SOME GROUNDS FOR CAUTIOUS OPTIMISM

¶26. (SBU) None of these challenges, however, is serious enough by itself to derail the peace process or Aceh's political stability. Irwandi's ability to manage them will likely translate into reduced GAM resistance as the peace process continues to inch its way forward. Barring unanticipated conflicts and active efforts to divide the province, there is no reason to expect the former conflict to return, but political competition in the run-up to next year's provincial elections will be intense.

HUME